



State of California
Franchise Tax Board

CALIFORNIA USE TAX **& YOUR FILING REQUIREMENTS**



CALIFORNIA USE TAX & YOUR FILING REQUIREMENTS

> You just found a great deal on a new, state of the art computer on the Internet. Or found that big screen television that you have been searching for day and night. Maybe it's a new book that you are ready to purchase by mail order? Possibly a purchase of that new dining table through the telephone. For all of the above, California use tax may be due on purchases made from an out-of-state merchant, when there is no tax collected by the out-of-state merchant.

The California Board of Equalization administers approximately 30 different tax and fee programs. The best known of these programs involves the sales and use tax. Sales tax applies to purchases made within the state of California. The sales tax counterpart, use tax, applies to purchases made outside the state of California. Sales tax is generally due on the sale of tangible property and collected by retailers in California at the point of sale. Retailers then remit the sales tax collections directly to the Board of Equalization. Use tax is sometimes

called "sales tax," but it is actually a separate tax that is generally due on the purchase of tangible property from outside of California.

If you purchase an item out-of-state that will be used, consumed, or stored in California, then you owe use tax. If the out-of-state merchant charges you the correct amount of sales or use tax on your purchase, then your use tax requirement has been fulfilled. Out-of-state companies that are "engaged in business" in California must register with the Board of Equalization and collect sales or use tax on their retail sales of personal property to California customers. However, if no sales or use tax was collected on your purchase, then you are required to compute and pay the amount of use tax due.

In an effort to assist taxpayers with their use tax reporting requirements, the Franchise Tax Board has included a "use tax" line on the personal income tax return (Form 540). This allows each taxpayer the option to report their use tax on their individual return for

out-of-state purchases. In addition, the instructions to the California Form 540 include a use tax worksheet and use tax rates to assist in computing the proper use tax liability. The other option available for taxpayers is to file a use tax return with the California Board of Equalization (BOE). The use tax return is included in BOE Publication 79-B, California Use Tax.

How do you compute the use tax liability? First, multiply the cost of the property purchased from an out-of-state merchant times the applicable use tax rate. The use tax rate and the sales tax rate are the same. The use tax rate is determined by where the property will be used, consumed, or stored in California. Then, look to determine if any sales or use tax was collected from the out-of-state merchant and subtract this amount from the amount of use tax due.

Example 1

(Out-of-state purchase with **no use tax collected** by merchant)

Big Screen TV purchase

Cost	\$1,000
Sales/Use Tax Rate (Los Angeles)	.0825
<hr/>	
Total Use Tax Liability	\$82.50

Example 2

(Out-of-state purchase with **use tax collected** by merchant)

Big Screen TV purchase

Cost	\$1,000
Sales/Use Tax Rate (Los Angeles)	.0825
<hr/>	
Use Tax Liability	\$82.50
Sales/Use Tax Collected by Merchant	\$70.00
<hr/>	
Total Use Tax Liability	\$12.50

In example #1, a taxpayer purchasing the big screen television outside California would report a use tax liability of \$82.50 on their California personal income tax return (CA Form 540). And for example #2, a taxpayer purchasing the big screen television would report a use tax liability of \$12.50 on their California personal income tax return.

For additional guidance on your use tax requirements, please visit the Board of Equalization website at www.boe.ca.gov. You can also call their Information Center at (800) 400-7115 with questions or to request the following publications:

- > Publication 61, Sales and Use Taxes: Exemptions and Exclusions
- > Publication 79-B, California Use Tax for Purchases Made From Out-of-State Businesses
- > Publication 105, District Taxes and Delivered Sales
- > Publication 110, California Use Tax Basics
- > Publication 112, Purchases from Out-of-State Merchant

For Additional Information:

Visit our website at www.ftb.ca.gov

Call us at (800) 852-5711

For General Information:

Visit www.taxes.ca.gov